To : Hamish Maxwell

cc. TG, WTH, GEK, FHD,
JRH, LR, CW, MJ,
(PM EEC);
R.W.Murray, T.M.Kearns,
L.Pollak, R.L.Snyder,
K.Haley (PMI).

FLASH FOR WEEK ENDING MAY 26, 1983

I. LEGAL

1. EEC

a) H. Maxwell wrote to F. Andriessen on May 18 thanking him for the May 10 meeting and reaffirming PM's desire to settle the case.

2. Germany

a) The oral hearing before the Kammergericht in Berlin will be held Monday - Thursday, June 13 - 16. We are proposing that the first two days be devoted to legal issues and the third and fourth days to the German cigarette market.

b) The three lawyers (Axster, Heidenhain and Hirsch) will meet with Frau Werner, President of the Cartel Section of the Kammergericht, and representatives of the FCO and the intervening parties on Thursday, June 2, in Berlin, to agree on the organization of the oral hearing.

c) The economic studies of Professors Gutowski and Müller have been cut and edited, and they will be submitted to the Kammergericht early next week (May 30 or 31).

d) Briefing sessions in preparation for the oral hearing will be held in Frankfurt (June 6, 7, 9, 10) and London (June 8).

3. Canada

One year has passed since PM filed its Statement of Claim against FIRA (May 25, 1982) asking the Federal Court to rule that PM did not have to file a notice and get FIRA's approval for the 1981 transaction. The Canadian Department of Justice has not yet filed a defense, but we are content to wait.

2500084586

Source: https://www.industrydocuments.ucsf.edu/docs/mpdk0000

II. OPERATIONS

Factory visits

1. Messrs. G. Karandjoulis, J.L. Debétaz and J. Krauss visited on May 19 Carreras Rothmans' "Seapark" factory at Carrickfergus, Northern Ireland. The visitors were accompanied by Messrs. F. Kenaghan, B. Niblock, Dr. G. Bunton of Carreras and the factory manager Mr. T. Rainy. The visitors were warmly welcomed and were shown all the facilities of the factory which produces 10 billion cigarettes per year in multiple brands. A report of the visit will be issued.

2. Mr. J. Krauss visited on May 20 Carreras Rothmans' tobacco expansion plants at Peterlee, UK. He was accompanied by Dr. G. Bunton and process engineers of Carreras (Messrs. M. Parker and M. White). The four AIRCO/DIET units of a nominal capacity of 400 lbs per hour produce currently some 200 tons per month. The efficiency of the installation (which runs on 3 shifts during 4 days per week) is only 80%. Carreras is appearingly satisfied with the expansion rate achieved, however, the yield - mainly due to very poor feed tobacco - is only 86%. Carreras requested further assistance from PM, mainly to improve the technical functioning of the installation and through improved product flow - to gain better product uniformity. A detailed report on the visit is being prepared.

III. PLANNING

1. Nigeria

H. Schedel met with Ian Maitland, John Nokes, Peter Caulwaert and Nigel Buck of Carreras Rothmans (TEI) on May 17, in Lausanne, to continue discussions re Nigeria.

They indicated that, whilst not excluding a license agreement for their brands, they would prefer a contract manufacturing arrangement, or a joint venture.

The joint venture alternative would entail setting up an offshore company with RI having 51% and PM 49%. A Nigerian subsidiary would be set up by the offshore company to market RI's brands which would be manufactured by PMN. RI gave the impression they are taking a long term view on the Nigerian market.

2500084587

Source: https://www.industrydocuments.ucsf.edu/docs/mpdk0000

HMS stated that we would study all three options further but had major reservations on commercial, legal and political grounds to their proposals for contract manufacture and joint venture. A follow-up meeting is planned for August 25.

2. Malaysia

Local production of Marlboro under license by RPM Malaysia started on schedule in mid-March and present sales volume is around 5 1/2% - 6% of the market (equal to Winston).

3. Carling

Miller High Life was launched in Canada on May 18. It is too early to gauge market reaction.

IV. FINANCIAL

1. Cartier

We are informed that the shares in Cartier held pending a decision whether we wish to buy them are now being "warehoused" by the RI Pension Fund.

2. Martin Brinkmann

Günther Klarmann has given us some information regarding Brinkmann as follows :

a) Brinkmann have made provisions of DM 20 million for redundancy costs and will need to provide a further DM 20/25 million in the coming year for the same reason.

b) The tax refund which was hoped for establishing the Bona Fides of Martin Brinkmann Holding when purchasing part of Rowenta has not yet been received. DM 38 million is still expected to be paid to them before the end of 1983. DM 7 million of this figure refers to 1978 and repayment is not quite so certain for this portion.

c) Further tax benefits for the holding company by offsetting interest costs against dividend income are not materializing due to the poor results of Brinkmann AG. It is possible that RI will need to put more money into the holding company but it is not known whether this will be as share capital or as an interest-free loan.

2500084588

Source: https://www.industrydocuments.ucsf.edu/docs/mpdk0000

IV. GENERAL

1. Carling O'Keefe Ltd

It has been announced that Mr. A. Gillespie has resigned as Chairman of Carling O'Keefe due to the adverse publicity following his involvement in a coal liquefaction project. Mr. Gillespie was accused of violating Conflict of Interest guidelines by being involved with the Department for which he was Minister in 1978/79 (Energy Ministry). It has not been announced, but it is presumed, that he has also resigned as a Director of RI.

2. Share price of

	May 13,1983	May 20,1983
Rothmans International (£)	100p	108p
RI convertible £/Bonds (DM)	3650	3650
Dunhill (£)	370p	365p
Carrolls (Irish £)	88p	88p
Tabacofina (BF)	2835	2800
RPM Canada (Can.$)		
- Common	44	42-3/4
- Preferred B	13-7/8	14-5/8
Carling O'Keefe (Can.$)		
- Common	16-3/8	15-3/8
- Preferred A	24	23-1/2
RPM Australia (Aust.$)	7.00	7.00
Rothmans Industries, N.Z. (NZ$)	1.90	1.90
RPM Malaysia (Sing.$)	3.32	3.22
Rothmans Industries Ltd (Sing.$)	2.30	2.20

Regards.

E. Houminer

2500084589

Source: https://www.industrydocuments.ucsf.edu/docs/mpdk0000